

Message Text

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ACTION IO-13

INFO OCT-01 ISO-00 ABF-01 OMB-01 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02

SS-15 USIA-15 AF-08 ARA-10 EA-09 EUR-12 NEA-10 EB-07

AID-05 PC-05 /138 W

-----200512Z 100550 /16

R 191741Z JAN 77

FM USMISSION USUN NEWYORK

TO SECSTATE WASHDC 2093

INFO USMISSION GENEVA

UNCLAS USUN 0144

E.O. 11652: N/A

TAGS: UNDP, EAID

SUBJ: 23RD UNDP GOVERNING COUNCIL - OPENING DISCUSSION ON
FINANCIAL MATTERS (AGENDA ITEM 4)

SUMMARY: 23RD GOVERNING COUNCIL SESSION OF UNITED NATIONS
DEVELOPMENT PROGRAM STARTED OFF WITH DAY AND HALF MEETING
OF BUDGETARY AND FINANCE COMMITTEE WHICH REVIEWED FINANCIAL
SITUATION OF PROGRAM (AGENDA ITEM 4). COMMON THREAD IN
ALL INTERVENTIONS WAS PROGRAM'S ACCUMULATION OF NON-
CONVERTIBLE CURRENCIES. US DEL INDICATED IT WOULD TABLE
PROPOSAL LATER IN SESSION. ADMINISTRATION ANNOUNCED IT
RECOMMENDING \$44 MILLION INDICATIVE PLANNING FIGURE
(PROGRAM ALLOCATION) FOR SOCIALIST REPUBLIC OF VIETNAM
FOR SECOND CYCLE (1977-81). END SUMMARY.

1. BUDGETARY AND FINANCE COMMITTEE OF GOVERNING COUNCIL
MET JANUARY 17 AND JANUARY 18 (MORNING) TO DISCUSS ITEM 4
(FINANCIAL SITUATION AND RELATED MATTERS) IN ADVANCE OF
PLENARY. UNDP ADMINISTRATOR MORSE OPENED WITH STATEMENT
OUTLINING STEPS TAKEN WITH REGARD TO FINANCIAL SITUATION
AND CURRENT STATUS. MORSE REPORTED AN IMPROVED CASH
POSITION IN 1976 AND PROJECTED CONTINUED IMPROVEMENT IN
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1977. HOWEVER HE CONCERNED AT LOW LEVEL OF PLEDGES MADE
DURING RECENT UNDP PLEDGING CONFERENCE AND HOW THIS
MIGHT IMPACT ON THE FINANCIAL PROSPECTS OF THE PROGRAM.
LARGE MEASURE OF SPEECH DEALT WITH MANAGEMENT IMPROVEMENTS
WHICH HAVE BEEN MADE SINCE HE TOOK OFFICE INCLUDING THE
RESHAPING OF HEADQUARTERS.

2. MORSE FOLLOWED BY NEWLY APPOINTED UNDP ASSISTANT ADMINISTRATOR FOR ADMINISTRATIVE AFFAIRS HEPPLING (SWEDEN) WHO MADE KNOWN ADMINISTRATOR'S RECOMMENDATION THAT INDICATIVE PLANNING FIGURE (IPF) FOR SOCIALIST REPUBLIC OF VIETNAM FOR SECOND DEVELOPMENT CYCLE (1977-1981) BE ESTABLISHED AT \$44 MILLION TO REFLECT UNIFORM APPLICATION OF IPF CRITERIA IN THE CASE OF THIS COUNTRY. HEPPLING ALSO RECOMMENDED IPF FOR THE SEYCHELLES' SECOND CYCLE BE INCREASED FROM \$0.95 MILLION TO \$1.460 MILLION. NO DELEGATION COMMENTED ON THESE PROPOSALS WHICH WILL BE TAKEN UP SUBSEQUENTLY, INCLUDING IN PLENARY (MEETINGS OF BUDGETARY AND FINANCE COMMITTEE ARE HELD IN PRIVATE SESSION).

3. IN DISCUSSION WHICH FOLLOWED, 15 COUNTRIES MADE INTERVENTIONS. THE PROBLEM OF NON-CONVERTIBLE CURRENCY FIGURED IN ALL OF THESE INTERVENTIONS. ASIDE FROM USSR AND BULGARIA, STATEMENT OF OTHERS STRESSED NEED TO FIND PRACTICAL SOLUTION. CANADIAN AND BRAZILIAN INTERVENTIONS WERE THE MOST CRITICAL OF THE CURRENT BUILDUP OF NONUSABLE NON-CONVERTIBLE CURRENCIES. CANADIAN SUGGESTED ADMINISTRATOR MIGHT WANT TO PUT A FREEZE ON ACCEPTING THESE CURRENCIES UNTIL CURRENT HOLDINGS HAVE BEEN RUN DOWN. "WHY SHOULD COUNTRIES GET CREDIT FOR CONTRIBUTIONS WHEN THE FUNDS CAN'T BE USED?" BRAZILIAN REPRESENTATIVE WAS CONCERNED AT MEASURES FOR UTILIZATION OF THESE MEASURES WHICH GIVE PREFERENTIAL TREATMENT ("PRIVILEGE") TO DONORS OF THESE COUNTRIES.

BRAZIL ALSO SUGGESTED IT WOULD BE BEST IF THESE
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COUNTRIES STOP CONTRIBUTING IN THESE CURRENCIES UNTIL THE ACCUMULATIONS HAD BEEN USED UP. THESE COMMENTS LED TO A DIRECT APPEAL BY ADMINISTRATOR MORSE TO THE GOVERNING COUNCIL FOR CLEAR-CUT GUIDELINES FOR THE PROPER RESOLUTION OF THIS PROBLEM.

4. U.S. REPRESENTATIVE (KITCHEN) EMPHASIZED THE NEED TO INSURE REAL IMPROVEMENTS IN FORECASTING AND FINANCIAL CONTROLS HAVE BEEN MADE AND REQUESTED ON ELABORATION ON THE WORK BEING DONE BY THE UN FINANCIAL CONSULTANT RECENTLY ENGAGED (SIEGEL). ON QUESTION OF NON-CONVERTIBLE CURRENCY U.S. DEL POINTED OUT THAT UNLESS A CHANGE IS MADE, BY 1981 UNDP WILL HAVE IN EXCESS OF \$100 MILLION OF ACCUMULATED CURRENCIES WHICH WILL PREVENT FULL IMPLEMENTATION OF THE SECOND CYCLE PROGRAM. HE SAID WE WOULD BE RETURNING TO THIS PROBLEM AT AN APPROPRIATE TIME IN THE SESSION WITH SPECIFIC RECOMMENDATIONS.

5. STATEMENT BY USSR AND BULGARIAN REPRESENTATIVE TOOK

LINE THAT THERE HAS BEEN A SIGNIFICANT IMPROVEMENT IN UTILIZATION OF NON-CONVERTIBLE CURRENCY BUT THIS HAS NOT YET BEEN REFLECTED IN THE FINANCIAL STATEMENTS. THEY GENERALLY TRIED TO PAINT A ROSY PICTURE WHICH REQUIRED NO SPECIAL INITIATIVES. THIS LED TO FURTHER INTERVENTIONS (PRINCIPALLY U.S.) SEEKING DETAILS ON OPERATION OF UNDP RUBLE BANK ACCOUNTS IN MOSCOW. THE COMMITTEE AGREED UNITED NATIONS COMPTROLLER WOULD ADDRESS SUBSEQUENT MEETING OF COMMITTEE ON SPECIFICS OF HOW UN AND UNDP BANK ACCOUNTS THERE OPERATED.

6. BUDGET COMMITTEE CHAIRMAN MALIK PLANS TO REPORT ORALLY TO PLENARY ON DISCUSSIONS HELD IN COMMITTEE ON THIS ITEM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, MEETINGS, FINANCIAL PROGRAMS, CONVERTIBLE FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977USUNN00144
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770020-1200
Format: TEL
From: USUN NEW YORK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770135/aaaabenv.tel
Line Count: 130
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3afc07d4-c288-dd11-92da-001cc4696bcc
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3553249
Secure: OPEN
Status: NATIVE
Subject: 23RD UNDP GOVERNING COUNCIL - OPENING DISCUSSION ON FINANCIAL MATTERS (AGENDA ITEM 4) SUMMARY: 23RD GOVERNING COUNCIL SESSION OF UNITED
TAGS: EAID, UNDP
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3afc07d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009